Department of Revenue
Washington State

Mitigation for local governments affected by Streamlined Sales Tax changes

On July 1, 2008, the State of Washington will take the final step in conforming with the national Streamlined Sales and Use Tax Agreement (SSUTA) by basing the local retail sales tax on shipped or delivered goods on the destination of the goods instead of their origin. This change will shift local sales tax revenues among jurisdictions; some jurisdictions will gain revenues while others will see a loss. To ease the hardship on negatively impacted jurisdictions, a provision was included in the streamlined sales tax statute to mitigate losses in revenue. Here are answers to some of the more common questions about mitigation.

1. Who is eligible for mitigation?

Any local jurisdiction that experiences a net loss in sales tax revenues because of the change to destination sourcing is eligible for mitigation.

2. When does mitigation start?

The first mitigation amount will be distributed on Dec. 31, 2008. It will cover net losses for July, August, and September of 2008.

3. How frequent is mitigation?

Mitigation amounts will be distributed at the end of each quarter for the previous quarter.

4. What is covered by mitigation?

Mitigation covers adjusted net losses from the change to destination sourcing that begins July 1, 2008. The net loss is reduced by subtracting the amount of tax gained by the jurisdiction from sellers in other states voluntarily registered through the SSUTA. The net loss will be calculated during the first year using tax reporting data. After that, the amount of net loss will be fixed for each jurisdiction; although the net loss from sourcing will be fixed, the amount of mitigation will change based on gains from voluntary registrants.

5. What is the funding source for mitigation?

Money for mitigation will be transferred from the general fund to a mitigation account. For the first two years of mitigation, this amount will be estimated using a 2004 Revenue study of sourcing impacts. After that, specific data on losses will be available to determine a more precise amount.

6. When does mitigation end?

When a jurisdiction's new funds from voluntary registrants exceed the net loss, the jurisdiction will no longer receive mitigation.

7. Will my jurisdiction receive mitigation for new delivery businesses that start after July 1, 2008?

No. Mitigation is based on losses from businesses located in a jurisdiction prior to the implementation of destination-based sourcing.

8. Will my jurisdiction receive mitigation for delivery businesses that go out of business after July 1, 2009?

Yes. Since the mitigation base does not change, the jurisdiction will continue to be mitigated for those businesses, even if they go out of business or move.

9. How is the mitigation amount determined?

Mitigation will be based on a firm by firm comparison of sales patterns in each jurisdiction before and after the change to destination sourcing. (See Revenue's 2006 mitigation timeline and methodology for more detail.)

10. What assurance is there that mitigation calculations will be as accurate as possible?

Revenue is dedicating considerable resources to the calculation of mitigation amounts. An advisory committee will assist and advise Revenue. The advisory committee will include representatives from local government, from both negatively and positively impacted jurisdictions.

11. If I have questions, who should I contact?

You may contact Lorrie Brown at lorrieb@dor.wa.gov or (360) 570-6081. Once the advisory committee is formed, it will also be a source of information.